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**Working  
Papers**

## Moving Solano Forward—Phase II

Task 6: Funding

Task 6.1 Funding Economic Development

**December 2016**

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# Moving Solano Forward - Phase II

## Task 6: Funding

### Task 6.1 Financing Economic Development

#### MSF II Task 6: Funding

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# EXECUTIVE SUMMARY

## MSF: Task 6: Funding

### Task 6.1: Financing Economic Development

The Moving Solano Forward II (MSF II) project consists of a body of work, represented by working papers for each project task, and a new strategic framework with a focus on business development and job creation (a priority identified by stakeholders).

The new strategic framework for MSF II and the Solano EDC is a significant shift from the existing activities of the EDC.

The MSF II strategy has:

- 1) An outward facing strategy focused on business and industry
  - increase job creation and capital investment through:
    - Increasing lead generation and qualified prospects seeking locations.
    - Implementation of *Solano Means Business* marketing campaign to create awareness of opportunities in Solano County and the seven cities.
    - Specific target industry attraction outreach and recruitment plan, in collaboration with cities.
    - Existing business retention and expansion program – cities take lead and EDC coordinates and sponsors new management technology tools for collaboration and efficiency of all.
- 2) Inward facing activities keep Solano County and the cities competitive in the regional market, including:
  - Advocating and pursuing funding for the maintenance and augmentation of local commercial real estate sites, infrastructure expansion.
  - Collaboration around talent development for industries (workforce development and education).
  - A resource hub that brings all things together to access and connect businesses to resources, a robust data-driven website and a proposed consultant pool that could be valuable to cities, county and businesses.



<sup>1</sup> Working papers for the project's seven tasks and 30 subtasks, are housed on the project website [MovingSolanoForwardII.com](http://MovingSolanoForwardII.com)

**Task 6.1 Economic Development Funding** considers options for funding economic development and more importantly looking at the current funding level of the Solano EDC, the countywide economic development organization that would most likely be charged with implementing and managing the MSF II Strategy.

Based on the input received from stakeholders, including City Managers, elected officials and private entities, the desire is to “step up” the economic development efforts in Solano County, particularly around marketing, lead generation and business locations. For these new actions to be implemented it will also require a “step up” in funding economic development. For this reason there is a focus on Solano EDC (the EDC) and their capacity, financial and human resources, to implement the strategy, particularly the new actions. **At this time, the EDC does not have sufficient budget to implement the strategy.**

## **TASK 6.1 REPORT REVIEWS:**

This task provides research of similar economic development funding models and budgets; budget needed for strategic implementation and suggested funding model.

### **A. Economic Development Budgets Research**

Economic development organizations are typically supported by public-private partnership (60-40% split) to fund economic development activities. The most frequent funding model for cities with county economic development organizations is a per capita investment, which ranges from \$.35 - \$3.00 per capita, depending on the size of the population. Revenue sources include:

- ❖ Public source support is usually through multi-year local agreements with city and county governments. The agreements outline specific services to be delivered aligned with strategy; in some cases, specific activities are added that are desired by public entities to assist in moving forward their local strategy.
- ❖ Private-sector support is typically investment from businesses who believe in and support the mission in improving the economy or benefit from growth in the local economy; *an economic development organization competes for private sector funding with other local non-profit organizations.*
- ❖ A third revenue source can be through providing services, such as data analysis, consulting, or other outcomes. This is often dependent on the market and demand for services and not usually a sustainable source of funds to operate a mission-oriented organization.
- ❖ Given our research of models, countywide economic development funding in Solano County should be in the \$750,000-\$850,000 range; comparable economic development programs in California are in the \$639,000 - \$1,278,000 range.

### **B. Overview of the status of the Solano EDC and their current funding.**

The current challenge/constraint for implementing the MSF II strategic framework is funding the EDC. At this time there is no sustainable or consistent funding stream. The EDC has become “event-grant-service” dependent, which jeopardizes the economic development mission. The level of funding is insufficient to undertake marketing and lead generation efforts, the priority of stakeholders.

- b. To implement MSF II there must be resources (financial) and capacity (human resources and expertise) for implementation. The strategy suggests several **new** actions plus a restructuring of the EDC to perform on actions and initiatives they currently have *not* been doing, or doing at a minimal level due to funding and capacity.

### **C. Short-Term Funding Recommendations to Implement MSF II Strategy – Year 1**

- a. EDC funding in Year 1 should be in the range of \$600,000-\$635,000, which is a significant jump in budget from the current \$377,000. The current budget has no funding allocated to marketing and business attraction. A proposed budget for implementing MSF II has a focus on marketing and business attraction and building the capacity and pipeline of leads and prospect companies looking to expand or locate in Solano County.
- b. Funding will need to be raised from both public and private sectors. The public funding levels since 2008 has decreased because of recession and loss of redevelopment dollars and now only represents 24% of the total economic development budget of the EDC. Specific services and deliverables need to be identified in order to develop specific memorandums of understanding (MOUs) with each city. Increase of private sector funding requires a more robust membership and investment campaign.
- c. A public funding methodology is included recommending a \$.40 per capita investment by each city, which is similar to surrounding county investment structures in economic development with a caveat that there be a MOU with each city with specific deliverables that support the MSF II strategy and the city's goals. Page 6 is a sample ROI although we recommend the cities contract for a set of services.

### **D. Long-Term Economic Development Funding**

- a. Utilizing shared space or shared/loaned staff as part of a funding model should be further investigated.
- b. There are some additional potential sources that could be used for economic development which would require review by the EDC and public entities.
- c. The EDC and public entities should investigate ways to create a sustainable funding model for economic development.

### **Recommendations:**

The new Moving Solano Forward II is distinct with focused activities based on collaborations. The development of the strategy has included deep research into assets and market position, investigation of the “product” (real estate) to be marketed from the perspective of a site selector, adding tools which should be beneficial to all economic development efforts (cities and county) and the addition of a marketing/business attraction campaign (which has been missing). MSF II will only achieve the outcomes and impacts expected with committed public-private investors. Actions will need to be taken in the short-term to provide sufficient and stabilize funding for economic development:

1. Encourage public investment of at least 50% of budget, or return to 2008-09 investment level which was \$.44 per capita per city average. Recommend the investment, at least in Year 1 & 2, be at the \$.40 per capita investment.
2. Package EDC services to demonstrate the cost-benefit, as well as achieving the overall goals of jobs, investment and economic impact. This will be achieved in a collaborative execution of the strategy to create jobs and enhance the economy.
3. Identify areas where EDC can provide economic development services that support cities' local efforts.
4. Encourage enterprise fund sources, such as utilities and other public-quasi public entities (not county/city) to be partner sponsors. (Note: most of the utilities are part of the city, so this would be a source of part of the city investment) Rationale: Water and sewer funds benefit from increased economic growth, and particularly from industrial uses. There is a precedent; the Fairfield-Suisun Sewer District is a member of the Solano EDC at an investment of \$5,000 annually.
5. Using an economic impact model, measure new and existing job creation and investment, particularly in the target key industry sectors, and the related economic impact.
6. Provide, at minimum, quarterly reports based on performance metrics.
7. Encourage partners, such as, workforce development, training entities, education should also become corporate/partner investors in supporting job creation efforts.
8. Augment private investors. The EDC will need to implement a Champion Investor program to increase current levels of investment by inspiring a call to action supported by measurable goals.
9. Identify sponsorship opportunities, such as, newsletters, reports, events.
10. Review revenue/expense of events, select those that have most value to investors and create revenues above the costs, including staff time.



## 1.0 ECONOMIC DEVELOPMENT FUNDING

This report considers options for funding the economic development strategy from the MSF II project. The only countywide economic development entity is the Solano EDC (EDC) and is the **assumed** organization for implementing the strategy.

The MSF II project consists of a body of work, represented by working papers for each project task, and a new strategic framework with a focus on business development and job creation (a priority identified by stakeholders)<sup>2</sup>. The project is also recommending organizational and staffing changes to the EDC to achieve the goals and objectives of the strategy<sup>3</sup>.

The current challenge/constraint for implementing this strategic framework will be funding the EDC at a sufficient level to accomplish the goals and objectives identified by stakeholders. Currently the EDC does not have a funding model that would support the recommended actions and execution.

Task 6.1 first reviews typical economic development funding models and budget ranges, why more funding will be needed for this strategy, the short-term need/opportunities for funding economic development and the MSF II strategy, and long-term sources that have been used in other areas to fund economic development but are much more complex.

### A. Typical Economic Development Budgets

Economic development corporation (EDC) have wide ranging budgets depending on the size of the community being served and the services being provided. The typical budget for a fully operational EDC, providing Business Retention, Expansion and Attraction and key initiative activities is \$.35-\$3 per capita, some are even higher at \$5.00 per capita<sup>4</sup>. Counties surrounding Solano that are aggressive in the economic development arena have \$1 million or more as annual budgets, such as:

- ❖ Greater Sacramento (GSAC), \$5 Million.
- ❖ Sonoma County Economic Development Board, \$4.6 Million (includes funding for tourism).
- ❖ San Joaquin Partnership, \$1+ Million.

For EDCs of similar size areas (population), the countywide economic development budgets range from \$639,000 - \$1,278,000. Currently the Solano EDC is at \$377,000 significantly below this range.

### B. Key Funding Model Factors

1. Economic development is regional and regional partnerships/collaboration is necessary.

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<sup>2</sup> Working papers for the project's seven tasks and 30 subtasks, are housed at the project website [MovingSolanoForwardII.com](http://MovingSolanoForwardII.com)

<sup>3</sup> EDC organization and staffing restructure is including in an EDC Tactical Plan to be submitted to the EDC Executive Committee

<sup>4</sup> Research of EDC Budgets: national organization IEDC, state organization CALED, Chabin Concepts/DSG research of similar EDC sizes

2. The proposed new EDC organizational structure is based on a “mission-focused”, “shared-purpose” model - a system of partnerships which optimizes the use of resources, enhancing opportunities for successful programs and maximizing investment.
3. The collaboration fostered by the quadruple helix approach is integral to success and economic growth.
4. All investors must feel they share in the results of economic development activities and achieve a broader goal for the economic health of all.
5. Cities are currently funding economic development from general funds after losing redevelopment funding, identifying alternative non-general fund sources would help the cities.
6. Must look beyond “soft”, 1-year at a time funding to a more sustainable model.
7. Return on Investment (ROI) for public-private funding sources are a key metric used by donors and investors. However, ROI becomes a difficult measure with city investment/ contracts as they are contracting for a certain set of services that lead to a company expansion or location. The EDC and the cities are partners in a company expansion or location and the city “closes the deal” due to its regulatory authority. So the ROI measurement of jobs, capital investment, and tax generation is the result of a partnership, each partner doing their part.

Sample ROI: A location or expansion of 100 jobs in Advanced Material Industry would generate an economic impact of:

178 more jobs (indirect)  
\$19.1 million in new wages  
\$5.74 million in local and state property, sales and other taxes  
\$233 million in business income

- Assuming 10% of the impact (taxes only) stayed within the local community and that community invested \$40,000 in the economic development program, the ROI would be 1,345% annualized \$534,000 gain.
- Each community will have some ripple effect of the economic impact, assuming 1% of impact, with a range of investments by cities from \$3,400-\$45,000 each city, other than the city where the company expanded/ located, would have an ROI of 142% (assuming average investment of \$23,686 return over cost would be \$33,714).

The MSF II process could be considered “disruptive”, changing the way the EDC has done business. From an organizational standpoint several restructuring actions for the EDC are recommended to embrace the “mission-focused”, “shared-purpose” model recommended:

1. Economic development is a team effort and everyone needs to be aligned around goals, objectives, roles and responsibilities.

2. Each city has full-time or part-time staff assigned to economic development, and they are key players in the economic development arena.
3. Each city's ED designee is critical to the process as the EDC cannot close a deal for a business location or expansion, they can only facilitate; cities issue permits. EDC will focus on generating business leads to work with the city on expanding and locating businesses.
4. The EDC's ED Task Force, *city ED designees*, leads the Business Retention & Expansion programs in their own cities. The EDC becomes sponsor and coordinator of the Executive Pulse customer relation management system (CRM) which assists the ED Task Force to communicate with each other, and within each city, and to be more efficient in the execution of the local Business Retention and Expansion. The EDC focuses on three traded-sector targets for BRE calls and outreach in coordination with the local ED designee — Advanced Materials, Food & Beverage, and BioTech & BioMedical.
5. The ED Task Force is an integral component in the planning and development of the Business Attraction Marketing annual plan. Their involvement will continue to help focus actions and leverage resources to maximize marketing Solano County and each city, generates new leads and focuses on those sectors that are most important to all the cities as a whole.
6. The EDC execution strategy focuses on the outward facing activities to business and the inward facing activities to Solano County and the cities. Chart 1 provides an overview of the strategic framework and work elements to be provided in executing the MSF II strategy.

**Chart 1: Moving Solano Forward Strategic Framework**

OUTWARD FACING ACTIONS			
	<b>ASSIST EXPAND EXISTING BUSINESSES</b>		<b>ATTRACTION NEW BUSINESSES</b>
	<ul style="list-style-type: none"><li>• Coordinate BRE Program</li><li>• Direct Services</li><li>• Solano Industry Groups</li><li>• Travis AFB</li></ul>		<ul style="list-style-type: none"><li>• Marketing &amp; Communication</li><li>• Lead Generation</li><li>• Prospecting</li><li>• Conversion</li></ul>
INWARD FACING ACTIONS			
	<b>MAINTAIN COMPETITIVE ADVANTAGE</b>		<b>MAINTAIN A RESOURCE HUB</b>
	<ul style="list-style-type: none"><li>• Land &amp; Buildings</li><li>• Infrastructure</li><li>• Workforce &amp; Education</li><li>• Transportation</li><li>• Policies</li></ul>		<ul style="list-style-type: none"><li>• Current Data - Research</li><li>• Robust Website</li><li>• Property Portfolio</li><li>• Consultant Pool</li><li>• Performance Metrics</li></ul>





## 2.0 WHERE IS SOLANO EDC NOW?

The EDC has operated under a public-private partnership funding model since inception. This matching model is relatively typical, with a focus on public support for regional economic development to enhance private-sector investment in business retention, expansion and attraction activities (aka BREA) throughout the county.

EDC currently has four revenue centers:

1. Private sector memberships.
2. Public sector memberships.
3. Contracts and grants specific to projects.
4. Fundraisers (events, e.g.).

EDC's challenge since 2008 includes:

1. Relatively small budget and small staff to conduct a full-service economic development corporation.
2. Declining revenues from the public sector. The public investment has been decreasing since 2008 due to 1) the economic recession; and 2) the loss of redevelopment funding, which was the funding source for economic development.

The public portion of the funding model is only 24% of the total budget. The typical public investment of a countywide economic development non-profit is 50-60% of the total budget (Figure 1).

**Figure 1: Solano EDC Budget, 2016 FY**

2016 Budget	Dollars	% of total
Income		
Private memberships	\$165,000	44% (40%)
Public membership	\$ 90,800	24% (50%)
Contracts and Grants (project specific)	\$ 92,000	24% (5%)
Fundraisers (net, but time consuming)	\$ 30,000	8% ( 5%)
Total Income	\$377,800	
Expenses		
Fixed & Semi Fixed	\$67,470	
Maintenance & Replacement	0	
Personnel & Benefits	\$306,900	
Accounting-Professional Services	\$8,500	
Subscriptions, Memberships, Fee	\$10,747	
In-kind Membership (off-setting income)	\$10,500	
Business Meetings, Meals & Reception	\$4,000	
Conference & Travel	\$5,500	
Marketing & Lead Generation	0	
	\$413,617	
<b>Net Income</b>	<b>-\$35,817</b>	

Source: Solano EDC, Budget & Financial Statements

Fortunately, the private sector has increased their investment which has helped to “fill” the gap of the decreasing investment of the public sector over time. The EDC has also been very entrepreneurial in getting funding by contracting for services to other entities.

**This, however, has not been a sufficient budget to perform the level of work that is desired and expected by all parties and is not a sustainable model for economic development as the services being contracted for may not align with the strategy or services needed by the public/private sector.**

EDC holds ten (10) events per year focused on annual updates, educational and political topics, and EDC member presentations. These events are not a net-revenue focus of EDC, but do provide opportunities to market the EDC and its mission, its board members’ organizations, and recent EDC activities. It also serves as a forum for the public and private sector members to interact.

In 2016, revenues were budgeted to be approximately \$377,000, and expenses budgeted for \$413,600 a net loss, causing the EDC to use reserves. Most of the costs are labor or consulting-related labor costs.

Figure 2 shows the progression of revenues and expenses for Solano EDC since 2002.

**Figure 2: Solano EDC Revenues and Expenses, 2002-2015**

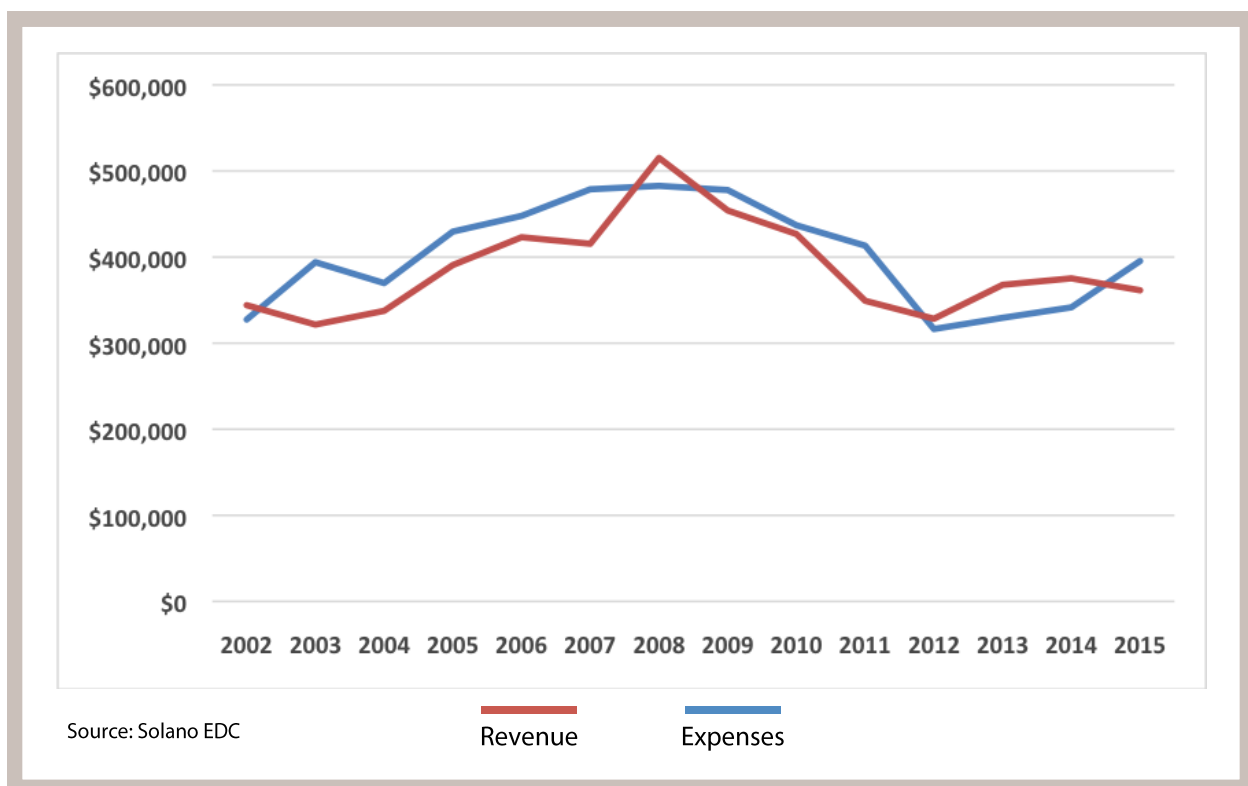


Figure 3 shows the historical trend of public investment in the EDC with the peak in 2008-09 and then a steady decline as the funding sources, due to the economic recession and loss of redevelopment dollars, went away and EDC support funding became a line item of the general funds for most cities, which were restrained at the time and continue to be constrained.

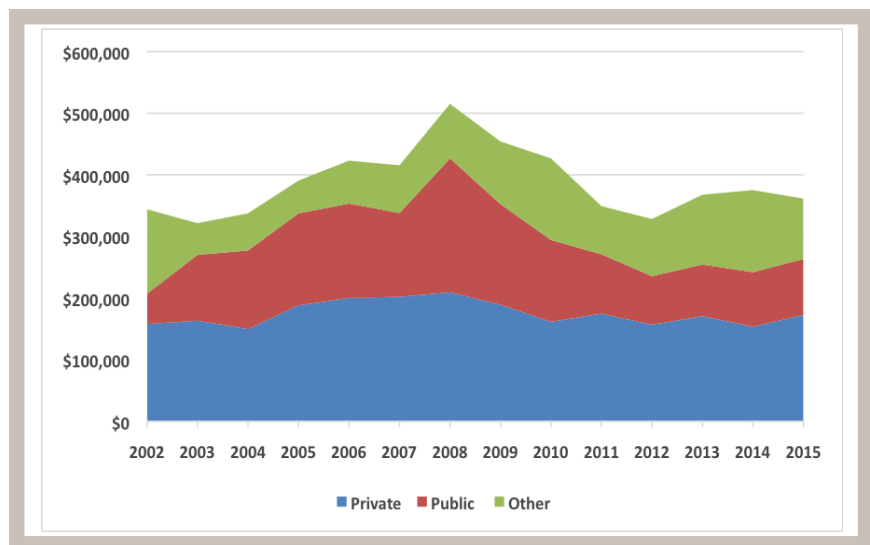
**Figure 3: Public Investment 2002-2015/16**

	Recd 2002/03	Recd 2003/04	Recd 2004/05	Recd 2005/06	Recd 2006/07	Recd 2007/08	Recd 2008/09	Recd 2009/10	Recd 2010/11	Recd 2011/12	Recd 2012/13	Recd 2013/14	Recd 2014/15	Recd 2015/16
Benicia	\$1,000	\$2,000	\$2,000	\$2,500	\$2,500	\$10,000	\$10,000	\$9,500	\$9,500	\$9,500	\$9,500	\$9,500	\$9,500	\$9,500
Dixon	\$5,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$7,500	\$7,500	\$8,500	\$8,500	\$7,500	\$7,500	\$7,500	\$7,500
Fairfield	\$15,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$35,000	\$20,000	\$0	\$5,000	\$7,500	\$7,500	\$7,500
Rio Vista	\$2,500	\$3,000	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Suisun	\$2,500	\$5,000	\$7,500	\$7,500	\$7,500	\$7,500	\$7,500	\$5,000	\$4,000	\$0	\$0	\$500	\$500	\$500
Vacaville	\$15,000	\$30,000	\$37,500	\$45,000	\$45,000	\$45,000	\$45,000	\$35,000	\$20,000	\$0	\$5,000	\$5,000	\$10,000	\$10,000
Vallejo	\$15,000	\$15,000	\$24,000	\$19,800	\$19,800	\$19,800	\$19,800	\$19,800	\$19,800	\$19,800	\$19,800	\$19,800	\$19,800	\$19,800
County	\$10,000	\$22,500	\$20,000	\$20,000	\$20,000	\$20,000	\$45,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000
Total	\$66,000	\$132,500	\$148,500	\$152,300	\$152,300	\$159,800	\$182,300	\$147,800	\$117,800	\$73,800	\$83,800	\$85,800	\$90,800	\$90,800

The private-sector has seen the need and value of the EDC and has provided 44% of the total budget (2016). The EDC does have a loyal private-sector investment base that annually renews but there are signs over the past few years that it is declining with the private sector wanting to see an equal investment from the public sector (a matching and leveraging of financial support)

A typical challenge with private-sector investment or funding for a non-profit organization, is allocating time from core services to raise the funding. A more focused fundraising outreach would need to occur to “bump” or double the current investment amount to support new activities, particularly if the public sector increases their investment to maintain the 50-50 investment, additional private-sector investment is needed. The trend of the EDC funding is shown in Figure 4.

**Figure 4: Solano EDC Revenue Sources**





### 3.0 WHERE SHOULD SOLAN EDC BE - SHORT-TERM?

The strategic framework outlined in Section 1.0 and Figure 5 should guide the EDC budget activities.

As noted in Section 1.0 there are four, major interlinking parts of the strategy – two actions focused on business development – Marketing & Business Attraction and Retention & Expansion.

The other two actions are maintaining information, data, research and strategic assets that make Solano County competitive and attractive to new and current businesses.

#### A. Why does economic development need more funding?

With the strategic framework recommending a shift to be more aggressive in marketing and business attraction, the EDC must increase its budget to fund lead generation to be competitive and successful in the market for the following reasons:

1. **Marketing.** The proposed efforts in Marketing & Business Attraction are new activities for the EDC. The outward facing, consistent, marketing and business prospecting initiatives have been unfunded and will stay unfunded without a budget/investment increase.
2. **Prospects.** The stakeholders, cities specifically, want to see more business prospects, i.e. **lead generation**, companies looking to locate in Solano County and their cities.

**Figure 5: Proposed Solano EDC and Solano County Economic Development Strategy**



3. **Lead Conversions.** Currently the EDC receives leads, unsolicited, from various sources (broker, state or direct), responds to leads with an average of 25-30 leads per year. Approximately 40% leads are State of California, GoBIZ leads. The EDC has a 12-16% conversion rate<sup>5</sup> which is excellent compared to the average of 5%. However, EDC reports state lead conversion is minimal. Conversion of leads is typically an 18-36 month proposition depending on where the company is in their location decision process. To increase the conversion rate, there must be more lead generation to build a

<sup>2</sup> Lead generation - business lead converted to location.

continuous pipeline of potential companies seeking a new location or expansion. At least 50 leads/prospects should be in the pipeline in different stages of location investigation at all times.

4. **Identity.** There is a need to create “awareness” of Solano County, its position in the Bay Area market and its opportunities for businesses to locate. This is an element of marketing and communications. As part of MSF II research it was found that Solano County does not have a business identity in surrounding markets – it is not top of mind when businesses are considering locations. The effort to change this lack of awareness will take investment in communications, exposure and direct business contacts.
5. **Maximize Marketing.** It should be noted that as part of MSF II a conceptual identity and marketing campaign was prepared. Similar to creating an efficiency tool for Business Retention & Expansion, the concepts, if adopted, would be available to all economic development in Solano County maximizing exposure and leveraging resources. The marketing campaign was designed as a “family” campaign that includes the cities and the County. The purpose for a family marketing campaign is to leverage resources while building a consistent look, feel and recognition of the cities and the county.
6. **Value Proposition Decision-Making Data.** Although the main need for funding is marketing and business attraction, that effort

also needs to be supported with robust and decision-making data, quality and ready-to-go sites and building and access to a talent pool. This supports efforts that are interlinked to a successful marketing and business attraction program.

## **B. Budget Range for Implementing Moving Solano Forward II Strategy**

Based on the new MSF II strategic framework and tasks to be undertaken, the annual budget goal recommended would be \$750,000-\$850,000, most of which would be invested in building the marketing and business attraction initiative.

Given this would be a significant jump from the EDC’s current base of \$377,000 the first year budget should be in the range of \$600,000-\$635,000. Year one will be a transition and preparation year for the EDC to fully transition to the work of the strategic framework and move to marketing and business attraction.

Although the typical public/private funding split is 60/40, this again may be a large jump for city funding if the city investment in the strategy has to come from the general fund. The first year goal should be to achieve a balance of 45% contributed by the public sector, 45% by private sector and 10% earned income for services performed.

If the EDC meets or exceeds its performance metrics possibly a method could be put in place to increase funding through added or direct services to cities. Chart 1 highlights a recommended budget increase as a Year One proposition.

## Chart 2: Solano EDC Current Revenue/Budget to Proposed 2016-17 Budget

Current Revenue/Budget			Public/Private Investors		
		%			%
Public	\$90,800	24%	Public	\$265,800	44%
Private	\$165,000	44%	Private – Orgs.	\$265,000	44%
Contracts/Grants	\$92,000	24%	Contracts/Grants	\$50,000	8%
Events	\$30,000	8%	Events	\$25,000	4%
<b>Total</b>	<b>\$377,800</b>		<b>Total</b>	<b>\$605,800</b>	



The two immediate areas of needed funding **increase** are the public-sector investment, a total increase of \$175,000 and a \$100,000 increase in private-sector investment, which means the EDC, must do some aggressive fundraising and outreach to generate investment to provide the services outlined in the MSF Strategy along with performance metrics to demonstrate the commitment to these services.

To reach the ultimate goal of a \$750,000-\$850,000 budget, the EDC must plan on incrementally increasing investment each year.

### C. Year One Budget Methodology

Public-sector funding for the EDC should be based on a “contract or memorandum of understanding” for a set of services that increase economic development activities that lead to economic or competitive growth for each city. Often referenced in stakeholder meetings with cities was “what is the ROI” for our investment. Given the EDC cannot finalize an expansion or location in a city (that piece of the transaction is city-controlled) a ROI base, which could be estimated, is only as a result of services provided and the partnership with a city in facilitating the actual expansion and location of the business. The funding from cities should be based on a *set of economic development services* that lead to achieving results.

#### **Recommendation for EDC:**

- ❖ Prepare MOU’s with each city outlining a set of economic development service deliverables (aligned with strategy).
- ❖ Add any customized services to said MOU ensuring the city receives the benefit from its investment for their specific economic development needs/goals.
- ❖ Outline specific deliverables and performance criteria to be met.
- ❖ Commit and prepare for quarterly reporting.

**1) Projected Year 1 Public Investment at \$265,800**

- Projected city investment at \$0.40 per capita.
- Past investment from cities has been a high of \$0.44 per capita, but not necessarily formulated on a per capita basis but a total equation of \$0.44 per capita.
- Research indicates that a per capita funding structure has been the best and most used method of spreading the funding equally among cities.

In some cases, per capita is used as a basis for funding a specific set of economic development services but a city may increase their investment requesting the EDC to focus on specific services needed or desired by that city for which they contract for those services, such as:

- A city wants to target a specific type of industry or business that has not been done on a regional basis.
- A city wants marketing material produced.
- A city wants a grant application prepared.
- A city does not have wherewithal to conduct their own marketing campaign, so contracts for the EDC to focus on marketing a specific development.
- A city may want to outsource existing work done by a staff person

to free up that staff person's time to work on another priority. These types of contracted services with the EDC are similar to outsourcing to a consultant.

- Economic development organizations in the surrounding area are using \$0.40 per capita as a basis, this keeps funding consistent with other areas.
- This budget projection assumes the County of Solano contributes \$100,000 annually, the largest public sector investment. Development sites are very limited in the County, most development and investment occurs in the cities, however, the County would be investing in the prosperity creation effort to assist with moving people from public assistance to jobs which benefits both the County and Cities.

**2) Projected Private-Sector Investment at \$265,000**

- The EDC already has a good base of membership funding.
- Membership model would be transitioned to an "investment model".
- It is recommended that EDC form an investor committee that focuses on an investor campaign, January-June 2017, to solicit Champions to support the Moving Solano Forward Strategy. Using examples of other models, such as seeking key champions and benefactors of economic development to invest upwards of \$25,000 annually in support of an aggressive program.



### 3) *Other Investors*

- Education, workforce development, institutions, quasi-government agencies also play a major role in economic development and are often benefactors of job creation. In other researched communities both education and workforce development, entities that have dedicated sources of revenue are contributors to economic development. Economic development helps to fulfill their mission by facilitating the creation of jobs for their clients.

### 4) *Performance Metrics*

- Typical economic development metrics focus on the outcomes desired by funders, number of jobs created and capital investment made by business. It is often difficult for an EDC to measure as they are not the “creators” of the jobs or the investment – they are **lead generators** identifying existing and new businesses that have opportunity to create jobs and **facilitators** partnering with a city and others to assist the business to expand or locate.
- There should always be a target of jobs and capital investment to be achieved, but for actual performance the metrics should focus on those activities that need to be done to create the opportunity for business expansion, location and job creation, such as, market exposure, outreach and calls on businesses, lead generation, and site/building/infrastructure improvements.

- As part of the MSF II project, the ED Task Force and the Project Review Committee, reviewed the MSF II Strategic Actions and prepared a Performance Metrics matrix for each of the four strategy goals, Chart 2.

On September 28, 2016, the MSF II Project Review Committee reviewed the 4-point economic development strategic framework, existing business assistance, marketing/business attraction, competitive advantage and resource hub.

Following a review, which outlined the purpose of each of the four elements of the strategic framework, prepared by the Project Review Committee based on 1) their perception of results. and 2) in consensus with the group, **expected results** of executing each element (see Column 2, in Chart 2).

The Project Review Committee also added **performance metrics** (see Column 3, Chart 2) that could be used to measure progress.

- As these goals and services were reviewed, the Project Review Committee identified areas of further collaboration that would increase success or competitiveness in expanding and attracting business. Those areas are included in column 2. Note these new areas of collaborations may not be the responsibility of the EDC but are areas identified for further collaboration to continue to build a competitive location.

Further discussion would be needed to identify those to be involved, plan forward and lead initiative.

These performance metrics will be reviewed to help guide the strategy and yearly implementation as performance measurements. As noted in Section C. Methodology, it is recommended public MOUs be based on a set of services which would become the performance measures for the Solano EDC.

## Chart 3: Performance Metric Matrixes

Goal I		
<b>BUSINESS RETENTION &amp; EXPANSION:</b> Create and sustain a robust Business Retention and Expansion Program and Team addressing needs of existing businesses; Solano Business First! Program		
Target Audience		
Existing Business		
Outward Facing Services		
EDC Services	Expected Results	Metrics
<ul style="list-style-type: none"> <li>Host/Coordinate BRE Program.               <ul style="list-style-type: none"> <li>◆ Cities, WIB, other organizations.</li> </ul> </li> <li>Solano Industry Groups.</li> <li>Travis AFB Liaison</li> <li>Business Services:               <ul style="list-style-type: none"> <li>◆ Energy Watch.</li> <li>◆ Financing.</li> <li>◆ Ag Export.</li> <li>◆ Lean Manufacturing.</li> <li>◆ RMDZ.</li> <li>◆ State Programs.</li> <li>◆ Ombudsman.</li> </ul> </li> <li><b>Value to Investors</b></li> <li>Traded Sector Coordinator.</li> <li>Help coordinate and strategize outreach to businesses.</li> <li>Maximize time and leverage resources.</li> <li>Liaison with TAFB.</li> <li>Input and direction from Traded Sectors – address challenges.</li> <li>Business Services not provided elsewhere.</li> </ul>	<ul style="list-style-type: none"> <li>Coordinated approach to calls, survey of businesses and data collection.</li> <li>Increase Business to Business (B2B) communications and network to increase spending on local suppliers, increase intra-county business transactions.</li> <li>Business growth of jobs and output with an increase of local B2B activity.</li> <li>With better understanding by all ED professionals of the business in the county, cross sell businesses to build the intra-county B2B network.</li> <li>Identify Supply Chain gaps as part of outreach and business calls.</li> <li>Increase involvement from business community.</li> <li>Connect existing business suppliers to new businesses moving in.</li> <li>Increase in sales/use tax review.</li> </ul> <p><b>Areas of Possible Further Collaboration Identified by Project Review</b></p> <ul style="list-style-type: none"> <li>Establish a countywide Ombudsperson to assist business – how to get started, business license, permitting – guide the company through pitfalls.</li> <li>Logistics is a key factor for existing businesses to get their product to market; the ED Team should work on regional solutions for traffic congestion for existing business, product movement and workers needed to keep Solano competitive.</li> <li>Financing is a critical need for both existing and new business; identify ways to assist with stable, predictable funding.</li> </ul>	<ul style="list-style-type: none"> <li>Use baseline data to measure growth of jobs, businesses and sales tax (specific to B to B):               <ul style="list-style-type: none"> <li>◆ Growth of Jobs</li> <li>◆ Growth of Businesses</li> <li>◆ Growth of Output</li> <li>◆ Growth in Sales</li> <li>◆ Sales Tax</li> </ul> </li> <li>Number of outreach calls on businesses.</li> <li>Direct assistance provided:               <ul style="list-style-type: none"> <li>◆ Document new growth</li> <li>◆ Jobs created direct</li> </ul> </li> <li>Organize a collaborative data collection process on through a regional approach<sup>6</sup>. Identify:               <ul style="list-style-type: none"> <li>◆ Supply chain (strengths/gaps)</li> <li>◆ Businesses needs - specifics</li> <li>◆ How much/how many</li> <li>◆ New clusters</li> <li>◆ How much sales growth</li> </ul> </li> <li>Create a knowledge base of supply chain needs to inform business attraction.</li> </ul>

<sup>6</sup>The Solano EDC ED Task Force will lead the Business First! Business Retention & Expansion Program. Each city will implement and monitor their own BRE programs using the Solano CRM system. The ED Task Force agreed to collaborate on goals/objectives/metrics and on call surveys to gather critical information as well as identify businesses for expansion opportunity

Chart 3 (continued)

Goal II	MARKETING & BUSINESS ATTRACTION: Promote and market Solano as a location of choice for key traded-sector businesses; Solano Launch.	
Target Audience	Traded-Sector Businesses: Advanced Materials, BioTech & BioMedical, Food & Beverage and other key industry sector opportunities that will grow Solano's economy.	
	Outward Facing Services	
EDC Services	Expected Results	Metrics
<ul style="list-style-type: none"> <li>• Manage marketing campaign to build awareness.</li> <li>• Identity kit.</li> <li>• Leverage messaging.</li> <li>• Media strategy.</li> <li>• Promotion strategy.</li> <li>• Lead generation and distribution.</li> <li>• Coordinate lead response.</li> <li>• Lead handling.</li> <li>• Assist with conversion.</li> </ul> <p><b>Value to Investors</b></p> <ul style="list-style-type: none"> <li>• Leverage marketing and promotion investment.</li> <li>• Increase inquiries for locations.</li> <li>• Increase direct meetings with new businesses.</li> <li>• Outreach to brokers and site selectors that influence locations decision.</li> <li>• Assistance to each city with focused campaign around specific targets or properties.</li> <li>• Increase exposure of key properties.</li> </ul>	<ul style="list-style-type: none"> <li>• Agreement of cities on regional approach to marketing and business attraction. Working together on projects – ripple effect of one city project location will benefit all.</li> <li>• Collaborative efforts of city/property owners/brokers.</li> <li>• Implement targeted print/online opportunities – articles and coverage.</li> <li>• Through marketing increase: <ul style="list-style-type: none"> <li>◆ Lead inquiries.</li> <li>◆ Unsolicited contacts.</li> <li>◆ Conversion rate.</li> <li>◆ Site Selector/Broker presentations.</li> <li>◆ Attraction of non-industry cluster businesses (supply chain).</li> <li>◆ Referrals from attracted companies.</li> </ul> </li> <li>• Focus on sector outreach – organize a referral system, i.e. CEO-to-CEO.</li> <li>• Understand supply chain for sector and all industries.</li> <li>• Successful relocation (s) committed</li> <li>• Work together on studies, materials and data needed for business attraction.</li> <li>• Areas of Possible Further Collaboration Identified by Project Review: <ul style="list-style-type: none"> <li>◆ Foreign/Direct Investment.</li> <li>◆ Ombudsperson, cities appoint a person to be permit ombudsman.</li> </ul> </li> <li>• Collaborate on retail attraction – city teams to attract retail desired by many of the cities.</li> </ul>	<ul style="list-style-type: none"> <li>• # presentations to brokers.</li> <li>• # business outreaches.</li> <li>• # publications, articles, mentions, online coverage – exposure.</li> <li>• # business leads.</li> <li>• # unsolicited contacts.</li> <li>• # companies located.</li> <li>• # introductions from attracted companies.</li> <li>• # people engaged.</li> <li>• Increase of conversion rate.</li> <li>• Track variety of “lead” sources.</li> <li>• # \$ of growth in economy due to new locations.</li> <li>• Feed-back from presentations to brokers and businesses on Solano's competitive strengths and supply chain needs.</li> <li>• Maintain current data and knowledge of target sectors to create valuable “sales” proposition.</li> </ul>

Chart 3 (continued)

<b>Goal III</b>	<b>COMPETITIVENESS:</b> Champion strategic projects that improve Solano’s business climate and competitiveness.	
<b>Target Audience</b>	Traded-Sector Businesses: Advanced Materials, BioTech & BioMedical, Food & Beverage and other key industry sector opportunities that will grow Solano’s economy.	
	Inward Facing Services	
<b>Services</b>	<b>Expected Results</b>	<b>Metrics</b>
<ul style="list-style-type: none"> <li>• Prepare &amp; maintain CEDS.</li> <li>• Industrial Lands Inventory.</li> <li>• Infrastructure &amp; Infrastructure Financing.</li> <li>• Transportation.</li> <li>• Industry-Workforce Collaboration.</li> <li>• Planning/Permitting Customer Experience.</li> <li>• Federal &amp; State Policies.</li> </ul> <p><b>Value to Investors</b></p> <ul style="list-style-type: none"> <li>• Position and access to potential infrastructure financing.</li> <li>• Assistance with city key initiatives that align with Traded Sectors.</li> <li>• Focus on issues most important to traded sector industries.</li> <li>• Advocate policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Complete the EDA CEDS by Q1 2017, maintain annual report and 5-year update.</li> <li>• Identify key infrastructure and technical assistance projects throughout county for grant applications.</li> <li>• Continue to assist in shovel-ready site/building inventory, add ready-to-go to inventory.</li> <li>• Active legislative advocacy around issues important to all and business climate – create a voice.</li> <li>• Organize an ongoing needs assessment process.</li> <li>• Annual assessment of need (transportation, education, workforce, energy).</li> <li>• Infrastructure project (road, wages, high-speed data) funding.</li> <li>• Give business a voice to fix needs of workforce.</li> <li>• Areas of Possible Further Collaboration Identified by Project Review (ED Task Force).</li> <li>• Set a goal to improve permit times (100 Day policy, 100 Day permitting process not guaranteed approval), example: Sacramento.</li> <li>• Conduct Regional Comparisons.</li> </ul>	<ul style="list-style-type: none"> <li>• CEDS completed, adopted and submitted.</li> <li>• Increase inventory of ready-to-to sites.</li> <li>• Applications submitted for infrastructure grants/financing</li> <li>• # applications funded.</li> <li>• Data from needs assessment.</li> <li>• # bills reviewed, supported, passed.</li> <li>• Annual review of data to evaluate competitiveness progress, social, economic, commute, workforce, education, drop-out rates.</li> <li>• Meetings to engage in open conversations with education and workforce on addressing needs of key industry sectors.</li> </ul>

Chart 3 (continued)

<b>Goal IV</b>	<b>Resource Hub:</b> Create and maintain a one-stop data source hub to be used by business, corporations, site selectors and others to make strategic decisions (a virtual resource hub).	
<b>Target Audience</b>	Existing and new businesses	
	Inward & Outward Facing Services	
<b>Service</b>	<b>Expect Results</b>	<b>Metrics</b>
<ul style="list-style-type: none"> <li>• Current Data.</li> <li>• Website.</li> <li>• Property Portfolio.</li> <li>• Connections,</li> <li>• Convene Countywide Issue Meetings &amp; Initiatives.</li> <li>• Consultant Pool.</li> <li>• Ombudsman.</li> <li>• Measuring Progress.</li> </ul> <p><b>Value to Investors</b></p> <ul style="list-style-type: none"> <li>• One source for data</li> <li>• Leverage web and image presence.</li> <li>• GIS Property portfolio that can be updated.</li> <li>• Access EDC's contacts and connections.</li> </ul>	<ul style="list-style-type: none"> <li>• Heavy and mixed utilization of the resource hubs as a virtual one-stop resource for businesses.</li> <li>• Track usage and types of inquiries ,data use of the website, potential types of businesses.</li> <li>• Expedience in delivering service, customer experience - speed (time to provide service or solution) (this is part of hub and BRE program).</li> <li>• Reliable data maintenance.</li> <li>• Stable and reliable funding to maintain the resource hub.</li> <li>• Expand the GIS Sites inventory, each city to be allowed to access county system.</li> <li>• Areas of Possible Further Collaboration Identified by Project Review (ED Task Force)</li> <li>• Cross Connect: If a physical hub, cross-connect with other business services, i.e. collocation of services as a one-stop physical center.</li> <li>• Center should highlight quality of life and education.</li> </ul>	<ul style="list-style-type: none"> <li>• Website Utilization (# hits and pages accessed).</li> <li>• Increased customer confidence in services delivery.</li> <li>• Track referrals to other organizations.</li> <li>• Growth and stable funding to maintain a credible resource hub for business, leverage resources.</li> <li>• Increased confidence in abilities and expertise of a collaborative team.</li> </ul>

**5) *Recommendations for reporting performance metrics:***

- ❖ Note this is NOT a performance score card for the EDC as the Project Review Committee added actions that need to be done by other entities; such as, improving permit times would be a competitive advantage – that effort could be hosted and facilitated by the EDC but would need to be implemented and completed by the cities/county. This could fall under the ED Task Force to move forward as part of their work.
- ❖ The EDC should identify those specific performance metrics to use for the Year 1 work plan (transition year).
- ❖ The EDC on an annual basis should review with the ED Task Force the Performance Metric matrix developed by the MSF II Project Review Committee to adopt specific objectives to be achieved and the metrics to be used to measure the objective defining how and what is measured by EDC).
- ❖ Utilize the Performance Metric matrix as the annual Performance Score Card.
- ❖ Customize the MOU for each city and report individual city-specific projects and services using the performance metrics.
- ❖ Report on progress of overall jobs, investment and economic impact and the performance metrics established (annually).
- ❖ Prepare at minimum, Quarterly Reports to Investors, and annual report of progress in key areas.





## 4.0 LONG TERM ECONOMIC DEVELOPMENT FUNDING

As noted in Section 1.0, economic development funding has a broad range of budgets most often dependent on the size of the region and the specific scope of work being implemented.

In addition to those noted in Section 1.0, Figure 6 shows comparisons to other economic development organizations, each with similar core missions, but varying populations and various partnership and funding arrangements.

**Figure 6: Revenues and Expenses for ED Organizations, California**

Organization	Revenues	Expenses
Bay Area Council	\$7,615,436	\$5,386,610
Fresno County EDC	\$1,738,878	\$1,835,471
Gilroy EDC	\$262,656	\$251,009
Marin Economic Forum	\$355,000	\$325,000
Kern County EDC	\$920,345	\$873,721
Los Angeles County EDC	\$6,593,695	\$7,133,605
Sacramento NEXTED	\$1,598,584	\$1,774,751
San Joaquin Economic Development Association	\$1,555,762	\$1,053,877
San Pablo Economic Development Association	\$457,866	\$606,996
Shasta County EDC	\$377,703	\$373,700
San Luis Obispo EVC	\$555,142	\$516,418
Source: 2014 and 2015 990 Forms		

The following is a resource list of “Other” funding sources that have been used to fund or supplement funding for economic development and economic development public/private non-profit partnerships. These sources should be reviewed and vetted with the EDC’s Finance Committee and various public and private agencies.

### A. Shared-Space, Shared/Loan Staff

One of the largest operational costs for an EDC is office rent and overhead. In some regions space is donated by county, city or government entity or private developer and the space includes high-speed internet connections, access to conference rooms, presentation equipment, up-to-date quality maps and often reception and maintenance.

**EXAMPLE:** Underutilized space at City Hall is used for economic development offices and start-up space.

**EXAMPLE:** City of Fairfield donated space to non-profits which the value equaled more than an investment. Shared-space is also a typical arrangement where “like” organizations share space that is “business-oriented” providing a quality location for business meetings.

**EXAMPLE:** SBDC used to share space with the EDC paying a sub-rent.

## B. Contract for Services

Contract for services or outsourcing work currently done by existing staff could be a service that an EDC offers which would allow a city or other entities to have the work done at a lower cost and free up time for their staff to work on other priorities.

**EXAMPLE:** Travis Community Consortium (TCC). The TCC is managed by the City of Fairfield and it requires staff time, including the City Manager’s time. Transferring the management to the EDC will free up Fairfield staff time. The EDC has an excellent reputation with the Air Force Base and very good access to key Base staff. The EDC would manage the current advocacy contract and develop recommendations on future advocacy work for this important economic driver.

The EDC could also assist cities by hosting a consultant pool with various expertise whereby the cities in their MOUs could quickly tap a consultant from the pool through their existing contract with the EDC which would save time and money in preparing RFP’s, interviews and contracts.

## C. Corporate Private and Public Sponsors (neither City nor County)

Corporate sponsors, whether private or public, are often key supporters of economic development as the investor’s philosophy and core values support economic growth for a variety of reasons or there is a nexus with a public agency (not city or county) but organizations such as utilities, water/wastewater, and transportation for economic development. There often can be a nexus with public agencies to collaborate on advocacy or grant funding.

Typically “corporate” sponsorship means they annually invest in a strategy at higher levels, \$10,000 to \$100,000 and with that investment there is some benefit received.

**EXAMPLE:** The North Bay Leadership Council (NBLC) and the Bay Area Council (BAC). NBLC has a minimum membership of \$10,000 per year for each member, and is focused on larger employers. The Bay Area Council is open to any level of employment and is more like a chamber for this reason.

**EXAMPLE:** The new Greater Sacramento (GSAC), economic development entity has \$100,000 sponsorship for a seat on the board.

EDC should revise their Corporate Sponsorship model to align with new tools, resources and strategy to \$5,000, \$10,000, \$15,000 with related benefits. Service provider companies may be interested in sponsoring a communications tool or a specific initiative as their benefit as a Corporate Sponsor.

## D. Workforce Development & Education

Economic development is a mix of business and workforce development. These are hand in hand activities, but federal and state grant dollars tend to skew toward workforce development rather than economic development. Economic development is generally more open-ended than workforce development dealing with many more business factors such as activities ranging from increasing commercial real estate occupancy to advocating for social and economic initiatives locally and regionally, and workforce development support. Workforce development and education both have dedicated sources of funding that don't require the bigger picture of the economy and its future.

As workforce becomes tighter throughout the US, this location criteria becomes more and more important to expanding and locating business and puts pressure on both education and workforce development, which is emerging in both education and workforce funding models. Recognizing this nexus and partnership possibilities with workforce development, education and economic development promotes the regional approach for building strategies together.

Education and Workforce Development both should at least consider being a Corporate Sponsor/ Partner or contracting with economic development for a set of services that benefit building the workforce, meeting business needs, creating job opportunities as well as meeting common goals and objectives. In addition to financial investment, there is opportunity for shared-staff, leveraging resources.

**EXAMPLE:** NoRTEC WIB, Northern California, funds organizations with key initiatives that align with their sector strategy industries up to \$50,000 per year, currently funding five initiatives. Source: Slingshot Grant.

**EXAMPLE:** Alliance for Workforce Development (AFWD) provides \$10,000 from business service funds to fund TeamChico annually, regularly participates in business walks and sponsors meetings/ events at \$500-\$1000 that align with their sector strategies. AFWD has a policy contract work to partner agencies for any outsourced projects.

**EXAMPLE:** Riverside County WIB is under the umbrella of the County and supports/ shares staff and funding with economic development.

**EXAMPLE:** Glenn County Health & Human Resources manages the local WIB activities and funds the Economic Development/Ombudsman position.

**EXAMPLE:** Sacramento Employment and Training Agency (SETA) contracts with Valley Vision to manage and support planning and implementation of Slingshot for employer engagement for demand-driven input and collaboration around sector and occupational clusters, asset mapping and sector gaps. SETA also supports work in Promise Zone (HUD).

**EXAMPLE:** Through a partnership of economic and workforce development entities can be co-applicants for grant funding, such as, foundations (JPMorgan Foundation), state programs (Fresno State with workforce and economic development) and banks.

**EXAMPLE:** Community Colleges through their CTE programs and recent Strong Workforce Program (SWP) are providing contracts with economic development entities to assist with the outreach and surveying of industry on occupational and skill needs. The “North” community colleges consortium will be contracting for workforce input and regional planning over the next 3 years.

**EXAMPLE:** Universities as an “in-kind” contribution provide junior/senior/master student interns that are paid or partially paid by the university and/or provide access to their research departments at low cost.

## E. Public

A broader array of uses of public sector resources is listed below. These would have to be vetted with the public entities for any interest in finding a sustainable source for funding a “united” economic development initiative. These sources are not recommended but listed for further review, some can be complex in their development and others the funding may already be allocated.

The following questions may need to be raised if a revenue, tax or enterprise funding source were to be used for economic development:

- ❖ What is the revenue incidence for this change (likely paid more or less by the local business)?
- ❖ Is there a value proposition to utilize this source as a funding mechanism? i.e. assist in increasing users and revenue?
- ❖ Would economic development be seen as necessary across the cities and county?

### Business License

Business license revenue has been a source of funding, using some portion of the total collected to fund economic development activities. There is a logical nexus of business license to economic development. Currently business license revenue is used as General Funds for most cities, for this to change, similar to TOT, there would probably have to be an increase of dollars (i.e. \$5) that would be dedicated to economic development or increase business license fees of certain types of businesses.

- ❖ In the case of Vacaville, the business license fee is based on the type of business and the number of employees within a range.
- ❖ In Dixon, the business license is based on the time of year the business begins, and the type of business.
- ❖ In Rio Vista, the license fee is based on the number of employees or the number of trucks, depending on the type of business.
- ❖ Suisun City is a gross receipts calculation or statement, and also based on service, retail or contractor businesses. If the business is out-of-town and wants to operate in Suisun City, there is a larger payment, and the range of gross receipts as stated ends at \$1 million.

- ❖ Vallejo’s business license is also in three groupings, and is similar to Fairfield.
- ❖ Fairfield has three classifications of businesses and the rates depend on each classification:
  - Middle tax range - Retail sales, contractors, subcontractors, restaurants, property management or leasing, rentals, motels, personal or repair services, etc.
  - Highest tax range - Professionals, such as attorneys, architects, accountants, real estate agents and brokers, appraisers, doctors, consultants, engineers, bookkeepers, investigators, developers, advertising agents, interior designers, etc.
  - Lowest tax range - Manufacturers, wholesalers with zero retail receipts, and administrative headquarters with zero Fairfield Gross Receipts.
- ❖ Benicia also has a business license app that is web-based, and is based on gross receipts.

### Transient Occupancy Tax

The use of transient occupancy tax (TOT) for economic development is a tool used in some areas. Use of TOT is dependent on the city, some TOT is revenue for the general fund, and some cities allocate a portion to tourism boards to support tourism marketing.

The same rationale can be used for funding economic development as tourism – “heads on the bed”. Typically room are filled Sunday to Thursday nights with business people and Friday to Sunday with visitors up to a 50/50 split of business people/visitors (unless a tourist destination like Napa).

Although a good argument could be made that funding from this revenue source is logical, reality is most cities have fully allocated their TOT to other efforts. To use this source there would have to be agreement from the cities that would like to divert funding from one area to another, or increase the TOT, such as, dedicate 5% of a new development to economic development or increase the percentage of TOT.

#### *Challenge: TOT Augmentation Mechanics*

A Transient Occupancy Tax (TOT) is assessed at the city level. TOT was originally devised to offset costs borne locally due to visitors, and to recognize a “transient” stay means short-term use of public facilities. Revenue and Taxation Code 7280 dictates how TOT works. General Law cities are able to participate in this, though charter cities are not pre-empted. If it is deemed a special TOT, it would take a 2/3 vote of voters. Whether a city or the County of Solano needs or is willing to initiate such a change is an open question.

### Sales / Use Tax Augmentation and Sharing

Sales and use taxes are similar but not the same, but both are a tax on sales of “tangible” goods. Like TOT, sales taxes reflect direct business activity, and the economic impacts from growth of employers and spending locally.

**Sales Tax on Retailers** – When California retailers sell tangible goods, they generally owe sales tax to the state. Retailers typically add sales tax to the price they charge customers and show it as a separate item on sales receipts.

**Use Tax on Buyers** – State law requires buyers to pay a use tax on certain purchases of tangible goods if the retailer does not pay California sales tax. Some internet purchases from out-of-state retailers fall into this category. The use tax rate is the same as the sales tax rate.

The mechanics of a sales tax initiative and the campaign for it may be expensive and bear little fruit for economic development. The cities and county have all recently gone through sales tax measures. Sales tax initiatives have become popular since redevelopment funding was abandoned in 2010 in California and the revenue is used to fund general fund or specific activities, such as police and fire.

Given the complexity of sales tax measures, a possible program that could benefit both the cities and the EDC is a business cooperation program, such as used in San Jose, where companies (construction to industrial) agree to self-report their Use Tax that keeps more of tax dollars locally. The EDC should sponsor a work session with experts in the Business Cooperation Program for the ED Task Force to look at this option.

**Parking Funds – This is the source most often used for downtown associations.**

Parking funds, tax revenue based on choosing to park in certain places is a mechanism, but is most often used with downtown associations. Theory – visitors and residents use metered spaces, the

return on investment is the “occupancy rates” of metered parking spots raise the more effective economic development activities are. For private parking lots, an example fee may be a monthly fee based on number of spots. The case to be made here is more commercial activity means more parking, more foot traffic, and more business revenues for all businesses.

**Business improvement areas or districts (BIA/BID)**

A Business Improvement District (BID) or the related Tourism Improvement Districts are tools used by Downtown Associations and Tourism Boards. The vehicle could be utilized similarly with a subset of businesses within a geographic area or industrial lands/parks coming together and agreeing to pay for services focused on economic development. This could be complex given those businesses in an industrial park may not want similar things. However, developers of raw land might see the advantage in marketing their properties. There are legal requirements which developers may not want to participate but would rather be a Corporate Sponsor.

The Tourism Districts (TBD) are most often funded by hotel/motels/restaurants which is a self-imposed increment tax they all agree to, which is passed on to the customer, the increment tax goes to the district.

In theory, if the hotels/motels were interested (based on 50% of their customers are business stays) and possibly other business-oriented ventures, they would agree to a self-imposed increase which the increment would be dedicated to economic development.



### Gross Receipts Tax

The gross receipts tax (GRT), also known as the "turnover tax"; generally has simple structures, taxing all business sales with few or no deductions. GRT transactions are often compared to retail sales taxes. However, sales taxes apply only to consumer final sales; gross receipts tax transactions also include intermediate business-to-business purchases of supplies, raw materials and equipment that may not otherwise be currently taxable. GRT may be applied at all levels of business, not just retail.

GRTs have the potential to result in tax pyramiding whereby the actual taxable percentage increases as a product or service passes through its supply chain. GRTs typically impose lower tax rates than sales tax but also have broader tax bases. Sales tax are generally imposed on the purchaser of goods or services while GRTs are imposed on the seller and are typically not passed along directly to the buyer.

The other side is that GRT may drive some businesses away from this area if specific to a city or Solano County overall; for example, Solano County would face the tax but not Yolo or San Joaquin, or Napa, or Sonoma, or Contra Costa counties. Solano County may find itself marginally less attractive than adjacent counties.

### Grants

**Note:** Grants should not be looked to fund economic development daily operations. Grants are typically project focused and should be viewed as an opportunity for improving the competitiveness of the area, such as, infrastructure financing. Task 6.2 & 6.3 provide a guide to grant funding sources.

### Federal Grants: Economic Development

#### Administration

Funds and partnerships with Economic Development Administration (EDA) through the Department of Commerce depend on the projects. For example, most projects are infrastructure-related, highly competitive, and depend on having strategic effects on the local economy. EDA does not fund operations. The EDA uses regional grants, based on the Department of Commerce regions, and in some cases there are not grants available for the EDA's West region (where California is located). EDA has six priorities that are used as high-level criteria in evaluating proposals:

- Collaborative Regional Innovation.
- Public/Private Partnerships.
- National Strategic Priorities.
- Global Competitiveness.
- Environmentally-Sustainable Development.
- Underserved Communities.

Generally, these grants are for infrastructure support and expansion. The idea is that federal money comes to support the local area's economic development, but may have regional connections. A comprehensive economic development strategy (CEDS) report is needed on file to apply for these grants (Solano County has contracted with the Solano EDC to complete such a strategy on behalf of all cities).

### Other Revenue Generators

Beyond grants and public funding, Solano EDC could generate revenue like a consultancy. This may take additional hiring and resources.

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See <http://sftreasurer.org/sites/default/files/GRT%20Registration%20Fees%20%28REV%205-6-2014%29.pdf> for the summary of the San Francisco GRT, a local example but not focused on driving revenue for economic development.

See Appendix for more details.

### 1) Data warehousing

The Index of Economic and Community Indicators is a subset of the data available to Solano County about its economy. The index could be converted into a dashboard product and four to eight major data points updated on a regular basis, perhaps to be announced at each Solano EDC event (these events run on a regular basis). Like any other regular services provided by Solano EDC, there needs to be staffing for maintenance, analysis and updating. The executive committee or the Board could be put through the exercise of what would be the best set of dashboard metrics to follow, and then only allow subscribers (see below) to access the dashboard.

The use of economic impact analyses to estimate the regional economic effects of a new business, a tax initiative, and almost every economic act possible, has increased the demand for such studies. These studies use the IMPLAN® model (see [www.implan.com](http://www.implan.com) for more), which is available for all zip codes in Solano County. The outputs of the model are the economic effects of one business or governmental revenue or employment change in the rest of a defined economy (could be the zip codes that define a particular city or the county overall, or a mix of cities). There are also simple fiscal impacts (tax revenue) available in this model. Solano EDC could offer this as a service or resource.

### 2) Expanded Events

Solano EDC does events on a regular basis, and events can take up a lot of staff time. Events at some level should continue to be part of the revenue made by Solano EDC but needs to be weighed with an eye to generating revenue and time that is taking away from core services. Considerations:

- Events are costly in terms of space and staff time.
- Events need sponsors, which can reduce revenue for other needs.
- There is a constant need to plan for speakers and topics and ask the community to make the choice to come regularly.

It may be a consideration to partner with a local media outlet (newspaper, radio, TV) to add staff and resources involved in event planning and execution. If there is an expansion of events, it should be for more people and sponsors, and perhaps fewer events with more well-known speakers. However, Solano EDC should not consider events as a major net revenue source.